

# **Exhibit E**

# **Part 2 of 2**

# SAVINGS AND INVESTMENT PLAN

**How  
the Plan  
Works  
— Loans  
(cont'd)**

the distribution or you must find other money equal to the loan amount to roll over. See the Tax Information section on pages 38-46.

***Loan Interest Payments***

The interest you pay on your loan is considered earnings on your SIP accounts. Therefore, it will be taxable just like other SIP earnings when paid out of the plan (even though you have paid interest with after-tax dollars).

**FINAL DISTRIBUTION AFTER TERMINATION OF EMPLOYMENT OR RETIREMENT**

When you retire or terminate employment, or any time during your deferral period, you can elect to receive a final distribution.

***How Much***

If you request a final distribution, you will receive the full value of all your SIP accounts — after-tax, before-tax, rollover and Company Match.

Distribution of your investments in pre-mixed portfolios and the Fixed Income, Balanced, U. S. Equity, Growth and Income Equity, and International Equity Funds will be in cash.

You have three choices as to the Solutia stock in the Solutia Stock Fund: 100% shares of Solutia stock; 100% cash; or a portion, in specific number of shares, of the account as Solutia stock and the remaining portion in cash. You will make a separate election for your Solutia Stock Account and your Solutia Company Match Account. (If you elect to take any portion as shares of stock, any fractional shares in your account will be paid in cash.) If you do not make an election, your Solutia stock in both accounts will be converted to cash.

Similarly, you have three choices as to the Monsanto stock in your Monsanto Stock Fund: 100% shares of Monsanto stock; 100% cash; or a portion, in a specific number of shares of the account as Monsanto stock and the remaining portion in cash. You will make a separate election for your Monsanto Stock Account and your Monsanto Company Match Account. (If you elect to take any portion as shares of stock, any fractional shares in your account will be paid in cash.) If you do not make an election, your Monsanto stock in both accounts will be converted to cash.

If you have diversified Solutia Company Match Account amounts invested in the other investment funds and/or pre-mixed portfolios and you want to receive all or part of these amounts as Solutia stock, you must make a Company Match Reallocation Election (see pages 18-19) when you make your final distribution request.

With a final distribution, any unpaid SIP loan you have is canceled. The outstanding loan balance is considered as part of your final distribution for tax

# SAVINGS AND INVESTMENT PLAN

How  
the Plan  
Works  
— Final  
Distribution  
(cont'd)

purposes, but will not be included in your payment since you have previously received that money.

#### **How And When To Apply**

After you terminate employment, you will be sent a SIP Payment Options Notice. You may call the Benefits Center any time AFTER you receive this notice. You will then receive a confirmation of your final distribution request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your final distribution request will be canceled.**

#### **Tax Information**

You may have to pay ordinary income and possibly an additional 10% penalty tax on the taxable portion of your distribution. Your distribution may qualify for five or 10-year averaging. You may be able to roll over your distribution. Special rules apply if part of your distribution is in stock. See the Tax Information section on pages 38-46.

#### **DEFERRAL AT TERMINATION OF EMPLOYMENT OR RETIREMENT**

If you terminate employment or retire before age 70-1/2, you can elect to defer receiving your SIP money. After you terminate employment or retire, your accounts will automatically be put in deferral status until you elect a final distribution or begin installment payments.

#### **Length Of Deferral**

You can end deferral at any time up to the April 1st of the calendar year following the calendar year in which you reach age 70-1/2. If you make no payment election prior to age 70-1/2, you will begin receiving minimum distribution payments in December of the calendar year in which you reach age 70-1/2. You will be notified in writing before any payments begin.

#### **Investment Of Accounts During Deferral**

Amounts in your After-Tax and Before-Tax Accounts remain invested in accordance with your latest investment election unless you make an investment transfer election. While you are in deferral status, you will be able to make investment transfers, subject to the rules and limitations described on page 16.

You can choose to keep all or part (in 1% increments) of your Solutia Company Match Account invested in the Solutia Stock Fund. If you do not make an election, your Solutia Company Match Account will remain invested in the Solutia Stock Fund. You may elect to have all or part of your Solutia Company Match Account transferred to the other investment funds

# SAVINGS AND INVESTMENT PLAN

*How  
the Plan  
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— Deferral  
(cont'd)*

(excluding the Monsanto Stock Fund) and/or pre-mixed portfolios pursuant to a Company Match Stock Transfer Election (see pages 16-18). In addition, you will be able to transfer amounts back into the Solutia Stock Fund. To transfer your diversified Solutia Company Match Account amounts, you must make a Company Match Reallocation Election (see pages 18-19). In addition, you can choose to keep all or part (in 1% increments) of your Monsanto Company Match Account in the Monsanto Stock Fund. If you do not make an election, your Monsanto Company Match Account will remain invested in the Monsanto Stock Fund. You may elect to have all or part of your Monsanto Company Match Account transferred to the other investment funds and/or pre-mixed portfolios pursuant to a Company Match Stock Transfer Election (see pages 16-18).

Remember, amounts transferred out of the Solutia and Monsanto Stock Funds Company Match Accounts continue to be accounted for separately.

***Loan Balance***

If you repay any outstanding loan balance in full within two months after your employment ends, your loan will not be reported as current taxable income at the time of your termination of employment. However, if you do not repay your loan balance within two months after you terminate employment, your loan balance will be considered as distributed to you when you terminated employment and reported as a distribution for income tax purposes. This could mean that you will have a SIP distribution in two different calendar years — when you terminate employment and when the deferral ends. This may preclude the distribution at the end of your deferral from qualifying for a lump sum distribution. See the Tax Information section on pages 38-46.

***Partial Distributions***

While in deferral, you will be able to take two partial distributions (minimum \$200) per year. If you will be receiving amounts from either the Solutia or Monsanto Stock Funds, you can elect to receive such amounts in cash or in shares of Solutia and/or Monsanto stock. You will make separate elections for your Solutia Stock Account, your Monsanto Stock Account, your Solutia Company Match Account and your Monsanto Company Match Account. If you want to receive shares of Solutia and/or Monsanto stock, you will need to call and speak to a Benefits Center Representative. When you elect a partial distribution, you will need to indicate whether you want the distribution amount paid directly to you or rolled over to an IRA or to another qualified plan that accepts rollovers. If you elect to have the distribution rolled over to an IRA or another qualified plan, you will need to speak to a

# SAVINGS AND INVESTMENT PLAN

## How the Plan Works — Deferral (cont'd)

Benefits Center Representative. You will receive a confirmation notice of your request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your partial distribution request will be canceled.**

If you are receiving Solutia and/or Monsanto stock, your stock certificate(s) will be sent separately from your check.

If you have diversified Solutia Company Match Account amounts invested in the other investment funds and/or pre-mixed portfolios and you want to receive these amounts as Solutia stock, you must make a Company Match Reallocation Election (see pages 18-19) when you request the partial distribution.

### ***Direct Rollovers From Solutia/Subsidiary Plans Into SIP***

If you either (1) retired on or after February 1, 1994, or (2) terminated employment on or after March 31, 1995, with an existing SIP account and elected either deferral or installment payments, you may elect to directly roll over eligible lump sum payouts or partial distributions from qualified Solutia and subsidiary pension and/or savings plans into SIP.

If you elect to make a direct rollover from a qualified Solutia pension plan, you will need to complete the pension direct rollover election form included in your pension retirement package and indicate, in 1% increments, how you want your rollover amount invested among the pre-mixed portfolios and investment funds (excluding the Monsanto Stock Fund). Your rollover election form must be returned to the Benefits Center, along with your other retirement papers, by the last business day of the month prior to the Benefit Commencement Date shown on your pension election form in order for the rollover to occur on the first of the month following your Benefit Commencement Date. Rollovers from qualified Solutia pension plans into SIP will be made by a transfer between plans, so you will not directly receive any funds.

If you elect to make a direct rollover from a qualified pension and/or savings plan of a subsidiary or non-participating business unit, you will need to complete an "Application for Direct Rollover" and follow the steps described on page 5.

Direct rollover amounts will be kept in a separate Rollover Account but will be treated as before-tax contributions. Company Match contributions will not be made on direct rollover amounts.

# SAVINGS AND INVESTMENT PLAN

How  
the Plan  
Works  
— Deferral  
(cont'd)

## ***If You Die During Deferral***

If you die while in deferral status and your surviving spouse is your SIP beneficiary (or one of your SIP beneficiaries), he or she will be able to elect to either receive an immediate final distribution or to defer receipt of the amount distributable to him or her up to the December 31 of the calendar year in which you would have reached age 70-1/2 (or December 31 of the calendar year after the year in which you died, if later). Beneficiaries other than your surviving spouse will be able to elect either to receive a final distribution as soon as practicable after your death or to defer receipt of the amount distributable to him or her for up to five years from the date of your death (see page 36).

## ***Choices At End Of Deferral***

At the end of the deferral period you may elect to receive a final distribution or, if your account exceeds \$5,000, you may begin installment payments.

## ***To End Your Deferral***

Call the Benefits Center and request either a final distribution (see pages 27-28) or installment payments (see below).

You will automatically begin to receive minimum distribution payments in December of the calendar year in which you reach age 70-1/2 if you've made no election by then.

## ***Tax Information On Deferrals***

While you defer, you owe no current income tax on your SIP accounts. Under current tax law, the taxable portion of a partial distribution received while in deferral is subject to ordinary income tax and may be subject to the additional 10% penalty tax. A final distribution may qualify for five or 10-year averaging. You may also be able to roll over a final distribution. See the Tax Information section on pages 38-46.

## **INSTALLMENT PAYMENTS AFTER RETIREMENT, TERMINATION OF EMPLOYMENT OR AT END OF DEFERRAL**

When you retire or terminate employment, or any time during your deferral period, you can elect to begin receiving installment payments from SIP. The two types of installment payments under SIP are (1) "calculated" and (2) "fixed." Both types of installment payments are described below. In order to be eligible to receive installment payments, your account balance must be greater than \$5,000 as of the date your payments begin.

How  
the Plan  
Works  
— *Installment  
Payments*  
(cont'd)

**Calculated Installment Payments**

If you elect "calculated" installment payments, you select the payment period — from one year to a maximum period determined by your age at the time payments begin and your actuarial life expectancy, as shown on the chart below:

<u>Your Age</u>	<u>Maximum Years of SIP Payments</u>
41	41.5
42	40.6
43	39.6
44	38.7
45	37.7
46	36.8
47	35.9
48	34.9
49	34.0
50	33.1
51	32.2
52	31.3
53	30.4
54	29.5
55	28.6
56	27.7
57	26.8
58	25.9
59	25.0
60	24.2
61	23.3
62	22.5
63	21.6
64	20.8
65	20.0
66	19.2
67	18.4
68	17.6
69	16.8
70	16.0

How  
the Plan  
Works  
— *Installment  
Payments*  
(cont'd)

To find out the maximum payment period for other ages, call the Benefits Center and speak to a Benefits Center Representative.

Under the calculated installment method, the amount you receive per payment depends on your SIP balance, the length of your payment period, your payment interval, SIP earnings and whether you make any withdrawals.

To estimate your payment, divide your total account balance (not including any unpaid loan balance) by the number of payments you elected. Each installment payment will be recalculated by dividing your account balance at the time payment is being made by the number of installment payments remaining.

***Fixed Installment Payments***

If you elect the "fixed" installment payments, you indicate the dollar amount of each installment payment. The amount you elect is paid in each installment payment until your SIP balance is zero.

***How Often?***

Under both the calculated and fixed installment payments, you select the payment interval — monthly, quarterly, annually.

***Investment Of Accounts During Installment Payments***

Amounts in your After-Tax and Before-Tax Accounts remain invested according to your latest investment election unless you make an investment transfer election. While you are receiving installments, you will be able to make investment transfers, subject to the rules and limitations described on page 16.

You can choose to keep all or part (in 1% increments) of your Solutia Company Match Account invested in the Solutia Stock Fund. If you do not make an election, your Solutia Company Match Account will remain invested in the Solutia Stock Fund.

You can also choose to keep all or part of your Monsanto Company Match Account invested in the Monsanto Stock Fund. If you do not make an election, your Monsanto Company Match Account will remain invested in the Monsanto Stock Fund.

You may elect to have all or part of your Solutia Company Match Account and/or Monsanto Company Match Account transferred to the other investment funds (excluding the Monsanto Stock Fund) and/or pre-mixed portfolios pursuant to a Company Match Stock Transfer Election (see pages 16-18). In addition, you will be able to transfer amounts back into the Solutia Stock Fund. To transfer your diversified Solutia Company Match Account amounts, you must make a Company Match Reallocation Election (see pages 18-19).

# SAVINGS AND INVESTMENT PLAN

*How  
the Plan  
Works  
— Installment  
Payments  
(cont'd)*

Remember, amounts transferred out of the Company Match Accounts continue to be accounted for separately.

***Making Changes During Installment Payment Period***

You can change the period over which your account is distributed (but never in excess of your life expectancy as shown in the chart on page 32) or the amount of your installment payments, as well as the frequency of payments at any time. To make a change in your installment payment, call the Benefits Center. You will then receive an installment election/change form which you must complete and return to the Benefits Center before your change will become effective. Note: once you start installment payments, you can only stop them by taking a final distribution.

To make an address change, call the Benefits Center.

If you want to change your withholding election, complete a Form W-4P and return it to the Benefits Center. This form can be obtained by calling the Benefits Center.

***Loan Balance***

If you have an outstanding loan balance, you have the option of repaying it within two months of the date you terminated employment. This will increase the value of your total SIP balance and the amount of subsequent payments to you. If you do not repay any outstanding loan balance within two months after your termination of employment, the outstanding loan balance will be considered to be a distribution at termination of employment and reported to the IRS as such for income tax purposes.

***Partial Distributions During Installment Payment Period***

Once installment payments begin, you will have two opportunities each calendar year to withdraw additional funds. To request a partial distribution (minimum \$200), call the Benefits Center. You will receive a confirmation notice of your partial distribution request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your partial distribution request will be canceled.** You will receive a check, usually within two weeks after your signed confirmation notice is received by the Benefits Center.

***To Apply For Installment Payments***

Call the Benefits Center and request an installment election/change form. **You will need to sign and return the election form to the Benefits Center.** You will receive your first payment within two weeks after the Benefits Center receives your completed and signed election form. Subsequent installment payments will be made as of the end of a month.

# SAVINGS AND INVESTMENT PLAN

How  
the Plan  
Works  
— Installment  
Payments  
(cont'd)

## ***To End Installment Payments***

You can stop installment payments at any time by calling the Benefits Center and requesting a final distribution. You will then receive a confirmation of your distribution request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your distribution request will be canceled.** You will receive a check, usually within two weeks after your signed confirmation notice is received by the Benefits Center.

Your installment payments will end automatically when your SIP account is depleted. If you die while receiving installments and your surviving spouse is your SIP beneficiary (or one of your SIP beneficiaries), your spouse will be able to elect to either receive an immediate final distribution or to defer receipt of the amount distributable to him or her up to December 31 of the calendar year in which you would have reached age 70-1/2 (or December 31 of the calendar year after the year in which you die, if later). Beneficiaries other than your surviving spouse will be able to elect either to receive a final distribution as soon as practicable after your death or to defer receipt for up to five years from your date of death. See below.

## ***Tax Information On Installment Payments***

The taxable amount of an installment payment or other withdrawal will be subject to ordinary income tax and may also be subject to the additional 10% penalty tax. See the Tax Information section on pages 38-46.

## **OTHER CIRCUMSTANCES**

### ***Death***

A surviving spouse who is a SIP beneficiary of a participant will be able to elect either [1] to receive an immediate final distribution (lump sum or installments) or [2] to defer receipt of the amount distributable to him or her up to December 31 of the calendar year in which the participant would have reached age 70-1/2 (or December 31 of the calendar year after the year in which the participant died, if later). A surviving spouse who is a SIP beneficiary and who does not request a final distribution will have the amount distributable to him or her placed in deferral status. A surviving spouse who defers receipt will be able to take two partial distributions per calendar year (\$200 minimum). To request a partial distribution, a surviving spouse will need to call the Benefits Center. The surviving spouse will then receive a confirmation notice of his/her distribution request. **The surviving spouse must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or the partial distribution request will be canceled.** A surviving spouse may elect to take a final distribution (either a lump sum or installment payments) at any time during the deferral period. A surviving spouse must call

*How  
the Plan  
Works  
— Other  
Circum-  
stances  
(cont'd)*

the Benefits Center to end deferral. However, if no election is made by the December of the year in which the participant would have reached age 70-1/2, the surviving spouse will begin to receive minimum distribution payments.

While in deferral status, a surviving spouse will be allowed to make investment transfer elections with respect to amounts in the participant's After-Tax and Before-Tax Accounts subject to the rules and limitations described on page 16. A surviving spouse will also be able to make Company Match Stock Transfer Elections as described on pages 16-18 and Company Match Reallocation as described on pages 18-19. A surviving spouse will not be able to make a direct rollover into SIP.

A SIP beneficiary who is not a surviving spouse will be able to elect either to receive an immediate final distribution or to defer receipt of the amount distributable to him or her for up to five years from the date of death. A beneficiary who is not a surviving spouse cannot elect installment payments and is not eligible for any partial distributions during deferral.

The distribution will be reported to the IRS under the beneficiary's Social Security number, and the beneficiary will be responsible for paying taxes on the taxable portion of the distribution. See the Tax Information section on pages 38-46.

**Layoff**

If you are on layoff, you can make SIP withdrawals, loans and investment fund transfers as if you were an active employee. If you have not been recalled within one year of your layoff date, your employment will be considered terminated for purposes of SIP. You will be entitled to the options available to terminated employees or retirees (final distribution, deferral, installment payments — see pages 27-35).

**Separation From Service If You Make No Election**

If you separate from service for any reason and make no election for taking money out of SIP, deferral will be automatic.

**Reaching Age 70-1/2**

If you reach age 70-1/2, you must begin receiving required minimum distribution payments of your SIP accounts no later than April 1 of the following calendar year unless you are still employed by the company. You will receive an explanation of your options in January of the calendar year in which you reach age 70-1/2. Important Note: You will also be receiving ~~benefits~~ from other qualified plans. Consult your tax advisor about the tax consequences of these distributions.

# SAVINGS AND INVESTMENT PLAN

*How  
the Plan  
Works  
— Other  
Circum-  
stances  
(cont'd)*

*Special  
Rules for  
Certain  
Participants*

***Transfers To Non-Participating Organizations***

If you transfer to a business unit or organization which has not adopted SIP, you will not be able to make contributions to SIP, but your SIP participation will continue. You will be able to make withdrawals as if you were an active employee of a participating employer (see pages 23-24). In addition, you will continue repaying outstanding loans and will be eligible to make new loans. The rules on pages 24-27 will generally apply to any loan you make while employed by the non-participating organization. There are some differences though. First, your maximum loan amount may need to be adjusted to reflect any loan you may have taken out under a qualified plan maintained by the non-participating organization. Secondly, your loan repayments may or may not be made by payroll deduction. If not, you will need to make repayments by personal check. If you miss two consecutive repayments, your loan will be in default. You will be notified if this occurs.

If you terminate employment with the non-participating organization and Solutia, you will have the same options as an active employee who leaves employment (see pages 27-35).

***Salaried And Hourly Supplemental Participants***

If your accounts under the Monsanto SIP were transferred to Solutia's SIP and you are either (1) a salaried employee and you had your contributions to the Variable and Extended Benefit portions of the Monsanto Company Salaried Employees' Pension Plan (1976) (the "1976 Plan") transferred to the Monsanto SIP, or (2) an hourly-paid employee and you had your contributions to the Monsanto Company Hourly-Paid Employees' Pension Plan (1981) (the "1981 Plan") transferred to the Monsanto SIP, the following apply to you:

- ▶ In addition to the accounts described on page 6, you had established in your name an After-Tax Supplemental Account II for your contributions to the 1976 Plan or the 1981 Plan.
- ▶ You can withdraw either one-half or all of your contributions in your After-Tax Supplemental Account II which have not been previously withdrawn. Earnings on your contributions cannot be withdrawn from your After-Tax Supplemental Account II until you terminate employment or elect to receive the maximum after-tax withdrawal.
- ▶ If you are contributing on either an after-tax or a before-tax basis and elect to receive a maximum in-service withdrawal or an age 59-1/2 withdrawal (see pages 23-24), you will also receive distribution of the entire amount of your After-Tax Supplemental Account II (including earnings).
- ▶ In addition to borrowing from your After-Tax and Before-Tax Accounts, you may also borrow amounts from your After-Tax Supplemental Account II.

**Special  
Rules for  
Certain  
Participants  
(cont'd.)**

**CPFilms**

If you are an employee of the CPFilms business unit, the following exception to the above description of SIP applies to you:

- ▷ For every dollar you contribute — up to and including the first 4% of your eligible pay — your employer contributes 60¢ which is automatically invested in the Solutia Stock Fund.

**Temporary Part-Time, Per Diem, Co-op, Summer Student, Seasonal  
And Other Non-Regular Employees**

If you are a temporary part-time employee, per diem, co-op, summer student, seasonal employee or other "non-regular" employee, the following exception to the above description of SIP applies to you:

- ▷ You are eligible to join SIP and begin making after-tax and before-tax contributions as of the date you are hired by Solutia or a participating organization; however, Company Match contributions will only be made at the end of the calendar year if you have completed at least 1,000 hours of service during the calendar year. If you do not complete at least 1,000 hours of service during a calendar year, you will not receive a Company Match contribution for that calendar year.

**Alternate Payees**

Alternate Payees under a Qualified Domestic Relations Order will have the same options as an employee who leaves employment or retires (see pages 27-35). There is one exception: Alternate Payees cannot make direct rollovers into SIP.

**Tax  
Information  
on  
Distributions**

This information is a general summary of the federal income tax consequences of various SIP distributions. State and local income tax and withholding rules may differ. When you are eligible to receive a SIP distribution, you should consult a tax advisor regarding your specific situation.

**Summary**

A payment from SIP that is eligible for "rollover" can be taken in two ways. You can have all or any portion of your payment either 1. PAID IN A "DIRECT ROLLOVER," or 2. PAID TO YOU. A rollover is a payment of your SIP benefits to your individual retirement arrangement (IRA) or to another employer plan which will accept the rollover. This choice will affect the tax you owe.

**1. If you choose a DIRECT ROLLOVER, the portion of your payment rolled over:**

- ▷ will not be taxed in the current year and no income tax will be withheld,
- ▷ will be paid directly to your IRA or, if you choose, to an employer plan that accepts your rollover,
- ▷ will be taxed later when you take it out of the IRA or the employer plan.

# SAVINGS AND INVESTMENT PLAN

**Tax  
Information  
on  
Distributions  
(cont'd)**

**2. If you choose to have your SIP benefits PAID TO YOU:**

- You will receive only 80% of the taxable amount of the payment, because the plan administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you also may have to pay an additional 10% penalty tax.
- You can roll over the payment by paying it to your IRA or to another employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to roll over 100% of the payment to an IRA or an employer plan, you must find other money to replace the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

***Payments That Can And Cannot Be Rolled Over***

Payments from SIP may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. The following types of payments cannot be rolled over:

***Non-Taxable Payments***

In general, only the taxable portion of your payment is an eligible rollover distribution. If you have made after-tax contributions, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over.

If you made after-tax contributions before January 1, 1987, ("grandfathered" contributions) you may be able to withdraw these first to avoid paying tax on a distribution. However, any distributions in excess of such "grandfathered" contributions or any calculated installment payment will be at least partially taxable.

For tax purposes, if you take an in-service withdrawal before age 59-1/2, the distribution will include: first, your grandfathered after-tax contributions in your account as of December 31, 1986, if any, (non-taxable); second, proportionately your after-tax contributions after that date (non-taxable) and earnings on all after-tax contributions (100% taxable); and finally, your Company Match Account (100% taxable).

For tax purposes, if you either (1) are 59-1/2 or older and take a withdrawal while still employed, or (2) take a partial distribution after you terminate employment or (3) are receiving fixed installment payments, the distribution will include: first, your grandfathered after-tax contributions in your account as of December 31, 1986, if any, (non-taxable); second proportion-

# SAVINGS AND INVESTMENT PLAN

## Tax Information on Distributions (cont'd)

ately your after-tax contributions after that date (non-taxable) and earnings on all after-tax contributions (taxable); third, your before-tax contributions and earnings on your before-tax contributions (100% taxable); fourth, your rollover contributions and earnings on your rollover contributions (100% taxable); and finally, your Company Match Account (100% taxable).

Each calculated installment payment will be considered as paid partly from non-taxable and partly from taxable amounts in your SIP account.

### *Payments Spread Over Long Periods*

You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for the maximum payout period allowed by SIP based on your age or a period of ten years or more.

### *Required Minimum Payments*

Once you reach age 70-1/2, a certain portion of your payment may not be eligible for rollover because it is a "required minimum payment" that must be paid to you.

### **Direct Rollover**

You can choose a direct rollover of all or any portion of your payment that is an eligible rollover distribution, as described above. In a direct rollover, the eligible rollover distribution is paid directly from SIP to an IRA or another employer plan that accepts rollovers by means of a check or stock certificate issued in the name of the IRA or plan but sent to you at your home address. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

### *Direct Rollover to an IRA*

You can open an IRA to receive the direct rollover. (The term "IRA," as used in this description, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you want to roll over Solutia and/or Monsanto stock, be sure that the IRA can accept such stock. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you later to move all or part of your payment to another IRA, ~~without~~ penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on IRAs (including limits on how often you can roll over between IRAs).

# SAVINGS AND INVESTMENT PLAN

**Tax  
Information  
on  
Distributions  
(cont'd)**

***Direct Rollover to a Qualified Plan***

If you are employed by a new employer that has a qualified plan, and you want a direct rollover to that plan, ask the plan administrator whether it will accept your rollover. An employer plan is not legally required to accept a rollover and may not accept Solutia or Monsanto stock. If your new employer's plan does not accept rollovers, you can choose a direct rollover to an IRA.

***Direct Rollover of Installment Payments***

If you receive eligible rollover distributions that are paid in installments for less than 10 years and less than the maximum payout period based on your age, your choice to make or not make a direct rollover for a payment will apply to all later installment payments until you change your election. You are free to change your election for any later installment payment.

***Payment Paid To You***

If you have an eligible rollover distribution paid to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules described later may apply.

***Income Tax Withholding:***

- **Mandatory Withholding.** If any portion of the payment to you is an eligible rollover distribution, SIP is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is \$10,000, only \$8,000 will be paid to you because the plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full \$10,000 as a payment from the plan. You will report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year.
- **Voluntary Withholding.** If any portion of your payment is not an eligible rollover distribution but is taxable, the mandatory withholding rules described above do not apply. You may elect not to have withholding apply to that portion.

***Sixty-Day Rollover Option***

If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over your distribution, you must make the rollover within 60 days after you receive the payment. ~~The~~ portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the employer plan.

**Tax  
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on  
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(cont'd)**

You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100% within the 60-day period, you must contribute other money to the IRA or the employer plan to replace the 20% that was withheld. However, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

*Example:* Your eligible rollover distribution from SIP is \$10,000, and you choose to have it paid to you. You will receive \$8,000 and \$2,000 will be withheld and sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to an IRA or employer plan. To do this, you roll over the \$8,000 you received from SIP and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire \$10,000, when you file your income tax return, you may get a refund of the \$2,000 withheld. If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

*Additional 10% Penalty Tax If You Are Under Age 59-1/2*

If you receive a payment before you reach age 59-1/2 and you do not roll it over; then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion. The additional 10% penalty tax does not apply to your payment if it is: (1) paid to you because you separate from service with all Solutia organizations during or after the year you reach age 55; (2) paid because you retire due to disability; (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies); or (4) used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% penalty tax.

*Special Tax Treatment*

If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. An unpaid loan secured by taxable amounts will be treated as a taxable distribution in the year it is canceled. However, if a distribution qualifies as a **"lump sum distribution,"** it may be eligible for special tax treatment. A lump sum distribution is a payment, within one calendar year, of your entire balance under SIP that is payable to you because you have reached age 59-1/2 or have separated from service with all Solutia organizations. For a payment to qualify as a lump sum distribution, your combined participation in SIP and the Monsanto SIP (if you became a Solutia employee on September 1, 1997) must be at least five years. The special tax treatment for lump sum distributions is described on the next page.

# SAVINGS AND INVESTMENT PLAN

**Tax  
Information  
on  
Distributions  
(cont'd)**

- **Five-Year Averaging.** If you receive a lump sum distribution after you are age 59-1/2, you may be able to make a one-time election to figure the tax on the payment by using "five-year averaging." Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over five years. **Five-year averaging will generally not be available for distributions after 1999.**
- **10-Year Averaging If You Were Born Before January 1, 1936.** If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates) or five-year averaging (using current tax rates). Like the five-year averaging rules, 10-year averaging often reduces the tax you owe.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions (including Pension Plan lump sum payments) that you receive in that same calendar year. If you have previously rolled over a payment from SIP or the former Monsanto PAYSOP Plan either in a direct rollover or a rollover you made yourself, you cannot use this special tax treatment for later payments from SIP. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. If you received partial distributions after you reached age 59-1/2 or after termination of service or if you received installment payments or if an outstanding loan was treated as a distribution, you may not be able to use forward averaging when the remainder of your SIP balance is paid to you in a complete distribution. This is because you may not have another event which qualifies the remainder as a lump sum distribution. Additional restrictions are described in IRS Form 4972.

The following chart summarizes the tax rules on distributions which qualify for lump sum tax treatment:

## Tax Information on Distributions (cont'd)

## TAX CONSIDERATIONS - TAXABLE PORTIONS OF SIP DISTRIBUTION

OPTIONS		
<b>Defer Payment</b>	<b>Take Lump-Sum Distribution</b>	<b>Elect Periodic Payments of Partial Distributions</b>
<ul style="list-style-type: none"> <li>◦ Must begin distribution by age 70-1/2</li> <li>◦ Taxes deferred until receipt</li> <li>◦ Unpaid loans considered taxable distribution</li> </ul>	<ul style="list-style-type: none"> <li>◦ Taxable income-subject to income tax <i>but not</i> FICA</li> <li>◦ Unpaid loans considered taxable distributions</li> <li>◦ 10% penalty tax if distributed before age 59-1/2 and not rolled over (unless at least age 55 in year in which you terminate)</li> <li>◦ Forward averaging may be applicable</li> <li>◦ Rollover option</li> </ul>	<ul style="list-style-type: none"> <li>◦ Taxable income-subject to income tax <i>but not</i> FICA</li> <li>◦ Unpaid loans considered taxable distributions</li> <li>◦ 10% penalty tax if distributed before age 59-1/2 and not rolled over (unless at least age 55 in year in which you terminate or you elect installments over your life expectancy)</li> <li>◦ No forward averaging</li> <li>◦ Rollover option for partial distributions and for installment payments if payout period less than shorter of 10 years or life expectancy</li> </ul>

# SAVINGS AND INVESTMENT PLAN

**Tax  
Information  
on  
Distributions  
(cont'd)**

*Solutia and Monsanto Stock*

There is a special rule for a payment from SIP that includes Solutia and/or Monsanto stock. To use this special rule, (1) the payment must qualify as a lump sum distribution, as described above (or would qualify except that you do not yet have five years of participation in SIP); or, (2) the Solutia and/or Monsanto stock included in the payment was purchased with after-tax contributions, if any. Under this special rule, you may have the option of not paying tax on the **"net unrealized appreciation"** of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the Solutia and/or Monsanto stock while it was held by SIP. For example, if your Solutia stock in SIP was purchased when the stock was worth \$1,000 but was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may elect not to have this special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock (including any net unrealized appreciation) can be rolled over to an IRA or another employer plan that accepts stock either in a direct rollover or a rollover that you make yourself.

If you receive Solutia and/or Monsanto stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as five-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

***Surviving Spouses, Alternate Payees, And Other Beneficiaries***

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are **"alternate payees."** You are an alternate payee if your interest in the plan results from a **"qualified domestic relations order,"** which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers. If you are a beneficiary other than the surviving

**Tax  
Information  
on  
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(cont'd)**

spouse, you cannot choose a direct rollover and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee or another beneficiary, your payment is not subject to the additional 10% penalty tax described in the section "Payment Paid to You," even if you are younger than age 59-1/2.

If you are a surviving spouse, an alternate payee who is a spouse or former spouse, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include Solutia and/or Monsanto stock, as described in the section "Payment Paid to You." If you receive payment because of the employee's death, you may be able to treat it as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had five years of participation in SIP.

***How To Obtain Additional Information***

This tax information summarizes only the federal (not state or local) tax rules that may apply to your payment. These rules are complex and contain many conditions and exceptions not mentioned here. Therefore, you should consult with a professional tax advisor before you take a payment of your benefits from SIP. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office or by calling 1-800-TAX-FORMS.

# SAVINGS AND INVESTMENT PLAN

## *Additional Legal Information*

### **ESOP**

The Trustee for SIP is authorized to borrow money from time to time, on behalf of the plan, for the purpose of acquiring Solutia common stock or repaying a prior loan made for similar purposes (an "ESOP Loan"). Each ESOP Loan is subject to certain limitations designed to ensure that the terms of the loan are reasonable. The company may guarantee any ESOP Loan.

In connection with the transfer of a portion of the Monsanto SIP to the plan:

- a portion of the Monsanto SIP ESOP Loans was transferred to the plan and the plan will assume the responsibility to repay those loans;
- a portion of the Monsanto SIP ESOP Suspense Account was transferred to the plan; and
- all shares of Monsanto common stock which were originally acquired under the Monsanto SIP with the proceeds of an ESOP Loan transferred to the plan were either exchanged for Solutia common stock from the Monsanto SIP or sold and the proceeds used to purchase shares of Solutia common stock.

All shares of Solutia common stock treated as acquired with the proceeds of an ESOP Loan ("ESOP Shares") are initially held by the Trustee in a separate "ESOP Suspense Account." Company Match contributions received by the plan, as well as dividends paid by the company on ESOP Shares, will be used by the plan to repay principal and accrued interest on the ESOP Loan. Company cash contributions not used to repay the ESOP Loan will be used to purchase Solutia common stock on the open market. The company may also contribute shares of Solutia common stock to fund the Company Match. The value of the dividends on shares in your account will continue to be invested for you in Solutia common stock. As the ESOP Loan is repaid, shares of Solutia common stock in the ESOP Suspense Account will be released and allocated to your Solutia Company Match Account. Shares are allocated on the basis of the fair market value of Solutia common stock at that time. There is a special adjustment for the Benefit Limit relating to shares of stock acquired by the ESOP.

### **"Top-Heavy" Rules**

Federal law requires the plan to have certain provisions which apply only in the event the plan becomes "top heavy" — in other words, primarily for the benefit of certain highly paid employees, officers and shareholders. The plan is not presently top heavy. It is not expected to become so in the future. If this changes, you will be notified and details of top heavy rules given to you.

# SAVINGS AND INVESTMENT PLAN

**Additional  
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Information  
(cont'd)**

**Number Of Shares Available Under The Plan**

There were 750,000 shares of Solutia common stock registered and made available under the plan.

**Description Of Shares**

The stock offered through the plan's Solutia Stock Fund is Solutia Inc. common stock, \$0.01 par value. Each share of common stock issued under the plan will be issued along with a Preferred Share Purchase Right ("Right"). If a third party acquires or offers to acquire a significant block of Solutia stock, the Right may entitle you to purchase additional Solutia stock or the stock of the acquiring party. If your Right to purchase additional shares is triggered, you will receive more information on this feature. Until the Right to purchase shares is triggered, the Company may redeem the Rights for 1¢ per Right. The Rights cannot be traded separately from the shares of common stock until they become exercisable.

**Shareholder Rights-Solutia Stock**

As a shareholder, you have the right to instruct the Trustee in the voting of all shares of Solutia stock you hold in the Solutia Stock Fund or the sale of those shares in response to an offer from a third party (a "tender offer"). The Trustee will make proxy and tender offer materials available to you and will vote or tender shares of Solutia stock according to your confidential instructions. Shares of Solutia stock held in the ESOP Suspense Account and shares of Solutia stock with respect to which no voting directions are timely received are voted by the Trustee proportionately according to the voting directions received from participants. Shares of Solutia stock held in the ESOP Suspense Account will be tendered by the Trustee proportionately according to the tender instructions received from other participants. Shares of Solutia stock allocated to participants' accounts for which instructions are not timely received will not be tendered.

**Shareholder Rights-Monsanto Stock**

As a shareholder, you have the right to instruct the Trustee in the voting of all shares of Monsanto stock you hold in the Monsanto Stock Fund or the sale of those shares in response to an offer from a third party (a "tender offer"). The Trustee will make proxy and tender offer materials available to you and will vote or tender shares of Monsanto stock according to your confidential voting instructions. Shares of Monsanto stock with respect to which no voting directions are timely received are voted by the Trustee proportionately according to the voting directions received from participants. Shares of Monsanto stock for which instructions are not timely received will not be tendered.

# SAVINGS AND INVESTMENT PLAN

**Additional  
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Information  
(cont'd)**

**Assignment Of Benefits**

Your SIP accounts may not be sold, assigned, transferred, pledged or garnished, except pursuant to a Qualified Domestic Relations Order (QDRO) or a federal tax levy. If you become divorced or legally separated, certain court orders could require that part of your SIP accounts be paid to your former spouse or children if the plan administrator determines that the court order constitutes a QDRO. You may obtain a copy of the plan's QDRO procedures by writing to the Plan Administrator.

**Divestitures**

If you are employed by a division or subsidiary which is sold or made part of a joint venture, special rules will apply, which vary depending on the circumstances. You will receive information as soon as administratively possible.

**Special Limitations On Senior Managers**

Senior managers of the company who have been advised that they are subject to the requirements of Section 16 of the Securities Exchange Act of 1934 may be subject to limitations on transactions involving Solutia stock.

**Plan Subject To ERISA**

SIP is a defined contribution plan which is intended to qualify under Sections 401(a), 401(k) and 401(m) of the Internal Revenue Code of 1986 ("Code"). A portion of SIP is also intended to be an employee stock ownership plan, as defined in Section 4975 of the Code and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974 ("ERISA"), designed to invest primarily in qualifying employer securities. SIP is also subject to certain provisions of ERISA, including ERISA's reporting and disclosure (Part 1 of Title 1) and fiduciary responsibility (Part 4 of Title 1) requirements. SIP must also meet the minimum standards for participation and vesting found in Part 2 of Title I of ERISA as well as in Sections 401(a), 410 and 411 of the Code. SIP is not, however, subject to the minimum funding standards imposed by Part 3 of Title I of ERISA and Section 412 of the Code, nor are benefits under the plan eligible for plan termination insurance provided by the Pension Benefit Guaranty Corporation under Title IV of ERISA. Plan termination insurance is limited to certain kinds of pension plans and is not available for defined contribution plans such as SIP.

**Additional  
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Information  
(cont'd)**

**Administration Of Plan**

The plan will be administered by Solutia's Employee Benefits Plans Committee ("EBPC"). The members of the EBPC are appointed by the Board of Directors or Chief Executive Officer of Solutia. The EBPC has the exclusive right to interpret the plan and to decide matters arising under the plan or in connection with its administration, including eligibility for, and the amount of, distributions and withdrawals. The EBPC may from time to time adopt rules for the administration of the plan and the conduct of its business. Such rules must be consistent with the provisions of the plan.

The Board of Directors has appointed a Pension and Savings Funds Committee as a named fiduciary under the plan, with the authority to manage and control the assets in the plan. The Pension and Savings Funds Committee has appointed Northern Trust Company of Connecticut ("NTCC") as another named fiduciary. The fiduciaries have the duty to manage the plan prudently and in the interest of plan participants and their beneficiaries.

Part of NTCC's role is to select and oversee the investment managers who manage the investment funds and the pre-mixed portfolios that Solutia makes available through SIP. These investment managers are chosen by NTCC on the basis of their expertise in selecting and managing the types of investments that SIP makes available — both as separate investment funds and as components of the pre-mixed portfolios. The investment managers may change from time to time when the plan fiduciary determines it is in the best interest of the plan participants and their beneficiaries.

The Trustee for the plan is The Northern Trust Company, 50 South LaSalle Street, Chicago, Illinois 60675.

You may obtain additional information about the plan and its administrators by writing or calling:

Solutia Benefits Center  
100 Half Day Road  
Lincolnshire, IL 60069-1459  
1-888-726-8616

Each participating subsidiary may discontinue its contributions to SIP or terminate SIP with respect to its employees subject to any agreement with a collective bargaining unit. In the case of such termination or discontinuance of contributions, the Company Match Accounts of each participant affected by the termination or discontinuance will become 100% vested.

**Department of Labor 404(c) Regulations**

Portions of the plan are intended to comply with Section 404(c) of ERISA. The fiduciaries of the plan may be relieved of liability for any losses which are the direct and necessary result of investment instructions given by a participant or beneficiary.

# SAVINGS AND INVESTMENT PLAN

**Additional  
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(cont'd)**

**Claims Appeal Procedures**

Generally, your claim will be processed within 90 days (normally much sooner) unless you are notified of a delay.

If your application for a benefit is denied — or if you do not receive an answer to your claim within 90 days — you may request a review within 60 days. Your appeal must be filed with the Employee Benefits Plans Committee or its designee. Any documents needed to perfect your claim will be made available and the claims review procedure will be explained to you. Your appeal must be in writing and may be made by you or by your representative. A decision on the appeal will generally be made within 60 days. The final decision will be in writing and will provide specific reasons for the decision.

**ERISA Rights**

Solutia operates its employee benefit plans with the interests of employees in mind. However, even though you may already have received information included in the following, federal law and regulations also require that we inform you that:

"As a participant in the Savings and Investment Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor.
- Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Receive a summary of the plan's annual report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called 'fiduciaries' of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA. If your claim for a welfare benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the plan review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials

# SAVINGS AND INVESTMENT PLAN

## Additional Legal Information (cont'd)

were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees; for example, if it finds your claim is frivolous. If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory — or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210."

**Plan Documents:** This Summary Plan Description generally describes the benefits provided under the plan. It does not attempt to cover every detail concerning the plan. The terms of the plan are set forth in the applicable plan document or insurance company contract. In the event that a provision in the applicable document or contract conflicts with this Summary Plan Description, the terms of the document or contract shall control. These documents, as well as the plan's Annual Report and Summary Plan Description as filed with the U.S. Department of Labor, are available for review through your Human Resources Representative during normal working hours. Upon written request to the Employee Benefits Plans Committee, Solutia Inc., 575 Maryville Centre Drive, P.O. Box 66760, St. Louis, MO 63166-6760, a copy of these documents (for which a reasonable charge may be made) will be furnished to a plan participant or beneficiary within 30 days of receipt of the written request.

Neither this booklet nor any statements concerning the described plan shall confer any right to continued employment.

**Standard Of Review and Exercise Of Discretion:** The company or other person designated by the company has the discretionary authority to interpret all plan provisions, and determine whether a participant or beneficiary is entitled to any benefit pursuant to the terms of the plan. Any good faith interpretation of the terms of the plan by the company (or its designee) for which there is a rational basis shall be final and legally binding on all parties.

A review of a final decision or action of the company (or its designee) shall be based only on the evidence before the company (or its designee) at the time of the decision.

# SAVINGS AND INVESTMENT PLAN

**Additional  
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(cont'd)**

**Amendment and Termination:** Solutia expects to continue the Savings and Investment Plan described in this booklet. However, because it is impossible to predict all future conditions, the company must reserve the right to amend or terminate the plan. No amendment may permit funds in the plan to be used for any purpose other than the exclusive benefit of participants. Solutia may also terminate the Plan with respect to all employers. Each participating subsidiary may discontinue its contributions to SIP or terminate SIP with respect to its employees subject to any agreement with a collective bargaining unit. In the case of such termination or discontinuance of contributions, the Company Match Accounts of each participant affected by the termination or discontinuance will become 100% vested.

**Incorporation Of Certain Documents By Reference:** The following documents filed with the Securities and Exchange Commission are incorporated herein by reference:

- A. The company's and the plan's latest annual reports, filed pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"), or, in the case of the company, the company's latest prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933 which contains, either directly or by incorporation by reference, audited financial statements for the company's latest fiscal year for which such statements have been filed, or the company's effective registration statement on Form 10 filed under the Exchange Act containing audited consolidated financial statements for the company's latest fiscal year.
- B. All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the annual reports or the prospectus or effective registration statement referred to in (a) above.
- C. The description of Solutia Inc. common stock, \$0.01 par value, and the description of associated Preferred Share Purchase Rights contained in a Registration Statement filed under the Exchange Act; including any amendments or reports filed for the purpose of updating such descriptions.

All reports and other documents or portions of documents subsequently filed by the company or the plan pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, as amended, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold, or which deregisters all securities remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents.

Solutia shall provide without charge to each person to whom a prospectus is delivered, on the written or oral request of any such person, a copy of all or any of the above documents incorporated by reference herein (other than exhibits to such documents), as well as a copy of all or any documents that constitute a part of the prospectus, the company's most recent annual report to shareholders and other communications to shareholders generally. All such requests or inquiries for additional information should be directed to:

Corporate Secretary  
Solutia Inc.  
575 Maryville Centre Drive  
P.O. Box 66760  
St. Louis, Missouri 63166-6760  
(314) 674-1000

# SAVINGS AND INVESTMENT PLAN

Additional  
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(cont'd)

## ADMINISTRATIVE INFORMATION

<b>Name of Plan</b>	Solutia Inc. Savings and Investment Plan
<b>Type of Plan</b>	Defined Contribution Plan and Employee Stock Ownership Plan
<b>Plan Year</b>	January 1-December 31
<b>Plan Administrator and Principal Employer</b>	<p>Solutia Inc. 575 Maryville Centre Drive P.O. Box 66760 St. Louis, MO 63166-6760 (314) 674-1000</p> <p>A participant or beneficiary may obtain an updated list of the employers sponsoring the plan by sending a written request to the above address. The list of sponsoring employers is also available for inspection at the above address.</p>
<b>Agent for Service of Legal Process</b>	<p>General Counsel Solutia Inc. 575 Maryville Centre Drive P.O. Box 66760 St. Louis, MO 63166-6760</p>
<b>Company Identification Number</b>	43-1781797
<b>Plan Identification Number</b>	003